



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
OFFICE OF THE STATE BUDGET
LANSING

MARY A. LANNOYE
DIRECTOR

October 7, 2005

The Honorable Shirley Johnson, Chair
Senate Appropriations Committee
Michigan State Senate
State Capitol
Lansing, Michigan 48901

The Honorable Scott Hummel, Chair
House Appropriations Committee
Michigan House of Representatives
State Capitol
Lansing, Michigan 48901

Dear Legislators:

Attached is the monthly financial report for the month ending August 31, 2005. This report is submitted pursuant to MCL 18.1386. This report can also be found on the Internet at the following address:

www.michigan.gov/budget under "Financial Reports."

If you have questions concerning the information in this report, please contact this office.

Sincerely,

A handwritten signature in cursive script, reading "Mary A. Lannoy".

Mary A. Lannoy
State Budget Director

Attachment

cc: List attached

cc: Governor Jennifer Granholm
Ken Sikkema, Senate Majority Leader
Craig DeRoche, Speaker of the House
Bob Emerson, Senate Minority Leader
Diane Byrum, House Minority Leader
Senate Appropriations Committee
House Appropriations Committee
Nancy Cassis, Chair, Senate
Finance Committee

Fulton Sheen, House Tax Policy Committee
Rick Wiener, Executive Office
Tim Hughes, Executive Office
Senate Fiscal Agency
House Fiscal Agency
Mike Moody, Financial Management
Nancy Duncan, Deputy Director
State Budget Office
Internal Office of the State Budget
Distribution

GENERAL FUND, GENERAL PURPOSE
Fiscal Year 2005
Projected Revenues and Expenditures
August 31, 2005
(\$ in millions)

	FISCAL 2005
Beginning Balance, October 1, 2004	\$ -
Revenues, Current Law:	
Current Year GF/GP Revenues, Special August 2005 Consensus Estimate	\$ 7,994.0
Adjustments to Consensus Baseline	\$ -
Adjusted Current Year GF/GP Revenue Baseline	\$ 7,994.0
Additional Revenue Adjustments:	
Revenue Sharing Reductions (PA 355 of 2004 and August 2005 Consensus)	\$ 324.0
Suspend County Revenue Sharing (PA 356 and 357 of 2004)	\$ 182.3
Sale of Northville (PA 6 of 2002) - deposit funds	\$ 3.2
Interfund Borrowing Rates	\$ 20.0
Judiciary Technology Improvement Fund (PA 466 of 2004)	\$ 1.5
Juror Compensation Fund Balance deposited to General Fund (PA 465 of 2004)	\$ 4.0
Comprehensive Transportation Fund - reduce and lapse to General Fund (PA 544 of 2004)	\$ 10.0
Non-Use of SBT Pharmaceutical Credit	\$ 10.0
General Tobacco Settlement revenue deposited to General Fund	\$ 7.0
Subtotal of Additional Revenue Adjustments	\$ 562.0
Anticipated Revenue Adjustments:	
Proceeds from Land Sales	\$ 12.8
Budget Stabilization Fund - Unreserved Balance	\$ 83.1
Escheats Enforcement	\$ 2.5
Liquor Purchase Revolving Fund additional lapse	\$ 0.9
Total FY Resources Available For Expenditure GF/GP	\$ 8,655.3
Expenditures, Current Law:	
Enacted Post Vetoes	\$ 8,751.0
Enacted Supplemental (PA 468 of 2004)	\$ 0.2
Enacted School Aid Supplemental (PA 518 of 2004)	\$ 99.5
Executive Order 2005-7	\$ (295.0)
Enacted Supplemental (PA 11 of 2005)	\$ 40.0
Enacted Higher Education Supplemental (PA 11 of 2004)	\$ 16.5
Total Enacted	\$ 8,612.2
Anticipated Expenditure Adjustments	
Lapse Building Occupancy Charges - DMB (PA 327 of 2004, sec. 720)	\$ (0.7)
Pending Secretary of State Supplemental (HB 4436)	\$ 1.9
Pending Medicaid Supplemental (HB 4436)	\$ 38.7
Pending Medical Services Revenue Adjustments (HB 4436)	\$ 16.0
Total Expenditures Projected	\$ 8,668.1
Projected Ending Balance, September 30, 2005	\$ (12.8)

¹ Subsequent to the date of this report, Michigan and 14 other states entered into a legal settlement with MCI-WorldCom. Fiscal Year 2005 resources will be adjusted to reflect \$15.1 million as payment of back taxes owed by the company to the State of Michigan under the agreement.

OFFICIAL BALANCE SHEET

SCHOOL AID FUND
Fiscal Year 2005
Projected Revenues and Expenditures
August 31, 2005
(\$ in millions)

FISCAL
2005

Beginning Balance, October 1, 2004	\$ 74.1
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Current Year School Aid Fund Revenues, August 2005 Consensus	\$ 10,840.3
Adjustments to Consensus Baseline	
Payment in Lieu of Taxes Adjustment (PA 513 of 2004)	\$ (2.0)
FY04 Audit Receivables Adjustment	\$ (4.2)
Subtotal, School Aid Fund, Current Year Direct Resources	\$ 10,834.1
Proceeds of Capitalization of the School Bond Loan Fund Revolving Fund (PA 98 of 2005)	\$ 41.1
Appropriation from GF/GP	\$ 165.2
Supplemental Appropriation from GF/GP (PA 518 of 2004)	\$ 99.5
Executive Order 2005-7	\$ (99.5)
	\$ 165.2
Federal Aid	\$ 1,353.6
Total Available SAF Resources	\$ 12,468.1

Expenditures	
Enacted Appropriations PA 351 of 2004	\$ 12,527.5
Executive Order 2005-7 - General Fund Authorization Decrease	\$ (99.5)
Supplemental Appropriation (PA 98 of 2005)	\$ 39.1
	\$ (60.4)
Adjusted Appropriations	\$ 12,467.1
Projected School Aid Fund Ending Balance September 30, 2005	\$ 1.0

SUMMARY OF EXPENDITURES AND ENCUMBRANCES

GENERAL FUND GROSS

August 31, 2005

(\$ IN MILLIONS)

FISCAL YEAR 2003-04

FISCAL YEAR 2004-05

August 2004	Yr-to-date 2003-04	Fiscal Yr end SEP 30, 2004	DEPARTMENT	Initial Approp	Exec. Orders and Supplem. Approp.*	Exp & Enc August 2005	Exp & Enc Yr-to-date 2004-05
9.9	85.2	95.7	Agriculture	126.1	0.0	5.4	83.7
3.7	45.1	51.3	Attorney General	62.0	0.1	3.7	50.9
21.6	244.9	252.3	Capital Outlay	0.0	584.7	24.6	281.7
1.0	11.0	12.4	Civil Rights	12.7	0.1	1.0	11.6
2.0	17.8	20.3	Civil Service	35.1	-0.2	2.3	22.5
147.0	1,817.2	1,826.0	Colleges & Universities	1,943.2	-23.7	144.8	1,909.6
919.7	8,684.3	9,342.1	Community Health	9,996.4	306.5	692.9	8,985.2
121.0	1,427.8	1,593.5	Corrections	1,768.7	-17.3	124.4	1,507.9
2.0	61.3	67.3	Education	99.9	2.4	2.7	73.3
9.9	146.6	164.9	Environmental Quality	296.0	3.1	13.6	159.9
0.0	4.3	4.8	Executive Office	5.2	0.0	0.4	4.5
311.9	3,431.5	3,716.2	Human Services	4,287.4	-25.0	319.6	3,655.4
3.0	51.3	54.2	History, Arts & Library	57.1	2.0	4.0	51.2
0.0	0.0	0.0	Information Technology	0.0	0.0	0.0	0.0
19.6	194.8	208.4	Judiciary	253.2	0.0	18.6	194.4
50.3	616.4	678.1	Labor & Economic Growth	835.8	11.0	56.5	649.6
8.9	112.3	126.5	Legislature	126.7	0.0	11.3	118.2
10.0	133.4	145.8	Management & Budget	156.9	4.3	11.5	138.1
6.9	88.6	97.5	Military Affairs	105.5	2.4	7.3	92.1
3.5	59.7	69.7	Natural Resources	95.0	2.4	5.3	67.0
0.0	0.0	0.0	School Aid	0.0	-99.5	0.0	0.0
13.0	162.2	182.5	State	187.2	0.5	15.4	190.9
31.8	336.1	378.2	State Police	475.8	7.4	41.7	381.3
0.0	0.0	0.0	Transportation	0.0	0.0	0.0	0.0
231.9	1,627.9	1,675.9	Treasury	1,520.4	59.6	234.5	1,469.7
\$1,928.6	\$19,359.7	\$20,763.6		\$22,446.3	\$821.2	\$1,741.5	\$20,098.7

*Includes boilerplate appropriations.

ESTIMATED BALANCE OF STATE PAYMENTS TO LOCAL UNITS OF GOVERNMENT

Fiscal Year 2005

August, 2005

(\$ IN MILLIONS)

	INITIAL APPROPRIATIONS	EXEC. ORDER and SUPPLEMENTALS	TOTAL APPROPRIATIONS YEAR-TO-DATE
Payments to local units of government	15,456.7	31.5	15,488.2
Total state spending from state resources	25,904.2	263.5	26,167.7
Percentage of state spending from state resources paid to local units	59.67%		59.19%
Required payments to local units (48.97%)	12,685.3		12,814.3
Surplus/(deficit)	\$2,771.4		\$2,673.9

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
COUNTER - CYCLICAL BUDGET AND ECONOMIC STABILIZATION FUND
OCTOBER 1, 2004 THROUGH AUGUST 31, 2005
(in thousands)

REVENUES

Taxes	\$ -
From federal agencies	-
Miscellaneous	<u>1,259</u>
Total Revenues	<u>1,259</u>

EXPENDITURES

Current:	
General government	-
Education	-
Family Independence services	-
Public safety and corrections	<u>-</u>
Total Expenditures	<u>-</u>
Excess of Revenues over (under)	
Expenditures	<u>1,259</u>

OTHER FINANCING SOURCES (USES)

Proceeds from Bond Issues	-
Operating transfers from:	
State Lottery Fund	-
Other funds	<u>-</u>
Total operating transfers from other funds	-
Operating transfers to other funds	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>
Excess of Revenues and Other	
Sources over (under) Expenditures	
and Other Uses	<u><u>\$ 1,259</u></u> ¹

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENSES
MICHIGAN STRATEGIC FUND
OCTOBER 1, 2004 THROUGH AUGUST 31, 2005

OPERATING REVENUES

Operating revenues	\$ -
Interest income	-
Investment revenue (net)	-
Miscellaneous:	
Federal revenues	-
Program fees	1,391
Other	-
Total miscellaneous	<u>1,391</u>
Total Operating Revenues	<u>1,391</u>

OPERATING EXPENSES

Salaries, wages, and other administrative	-
Interest expense	-
Depreciation	-
Purchases for resale	-
Other operating expenses:	
Loan loss expense	-
Tuition benefit expense	-
Amortization of deferred issue costs	-
Miscellaneous	-
Total other operating expenses	<u>-</u>
Total Operating Expenses	<u>-</u>
Operating Income (Loss)	<u>1,391</u>

NONOPERATING REVENUES (EXPENSES)

Federal grant revenue	-
Interest revenue	-
Other nonoperating revenues:	
Tribal gaming revenue	149
Other nonoperating revenue	-
Total other nonoperating revenues	<u>149</u>
Nonoperating grants	-
Interest expense	-
Other nonoperating expense	-
Total Nonoperating Revenues (Expenses)	<u>149</u>
Income (Loss) Before Operating Transfers	<u>1,539</u>

OPERATING TRANSFERS

Operating transfers from primary government	-
Operating transfers to primary government	<u>(1,436)</u>
Total Operating Transfers In (Out)	<u>(1,436)</u>
Net Income (Loss)	<u>\$ 103 ¹</u>

¹ Balance does not reflect closing adjustments such as accounts receivable, accounts payable, etc.

STATE OF MICHIGAN
YEAR-TO-DATE STATEMENT OF REVENUES AND EXPENDITURES
MICHIGAN NATURAL RESOURCES TRUST FUND
OCTOBER 1, 2004 THROUGH AUGUST 31, 2005

REVENUES

Taxes	\$ -
From federal agencies	-
From licenses and permits	-
Miscellaneous	<u>75,251</u>
Total Revenues	<u>75,251</u>

EXPENDITURES

Current:	
General government	-
Conservation, environment, recreation, and agriculture	2,136
Capital outlay	<u>17,896</u>
Total Expenditures	<u>20,032</u>
Excess of Revenues over (under) Expenditures	<u>55,219</u>

OTHER FINANCING SOURCES (USES)

Proceeds from bond issues	-
Proceeds from sale of capital assets	236
Operating transfers from other funds	-
Operating transfers to other funds	<u>(10,050)</u>
Total Other Financing Sources (Uses)	<u>(9,814)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 45,405 ¹</u>

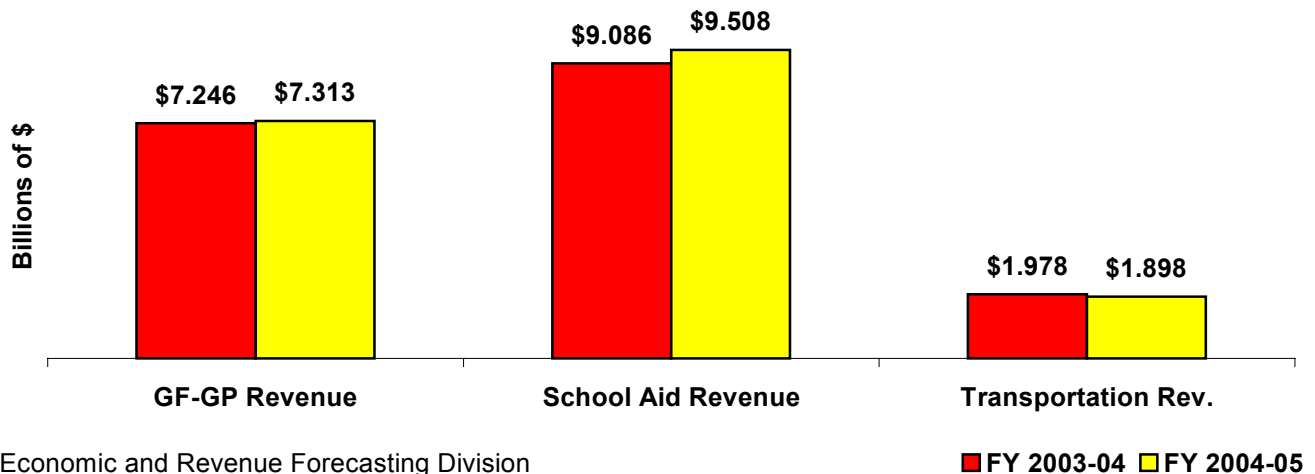
REVENUE OVERVIEW
Economic and Revenue Forecasting Division
Michigan Department of Treasury

This Monthly Financial Report to the Legislature presents the Michigan State government's economic situation and cash collections for August 2005, representing some July and some August economic activity in Michigan.

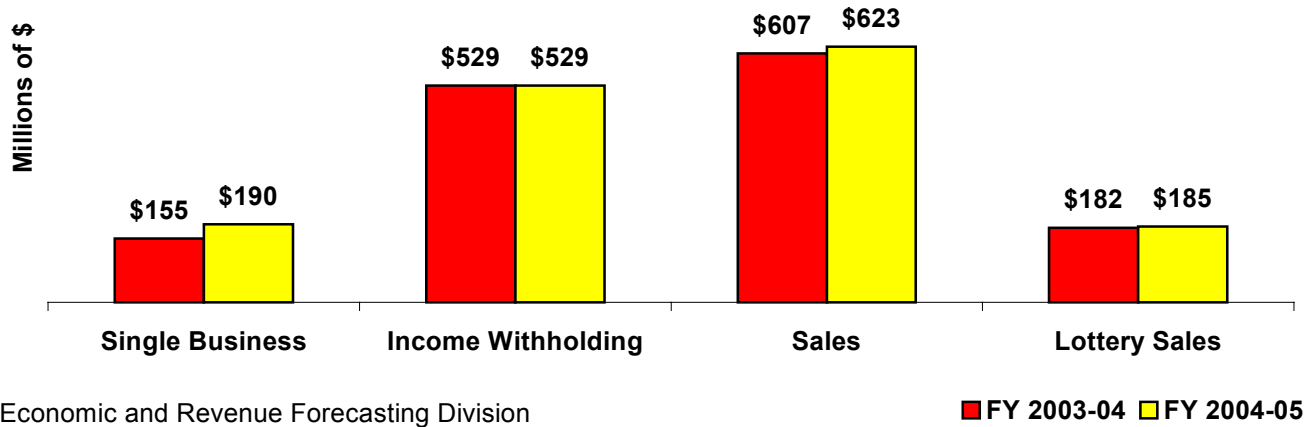
Total General Fund - General Purpose cash collections were \$62.2 million (8.8 percent) higher in August 2005 than in August 2004. The increase is due in part to the timing of single business tax collections. August School Aid Fund cash collections were \$36.4 million (4.1 percent) higher than in August 2004. August transportation collections were \$4.2 million (2.3 percent) lower than in August 2004 (see revenue table). August is the eleventh month of the state's fiscal year. Year-to-date collection totals generally provide a more accurate view of collections, since they are less affected by the timing of payments. Year-to-date General Fund - General Purpose cash collections are up \$67.6 million (0.9 percent) from a year ago. School Aid Fund cash collections are up \$422.4 million (4.6 percent), and transportation collections are down \$80.2 million (4.1 percent). School Aid Fund collections have been affected by the change in the timing and tax rate of state education tax (SET) payments. Excluding SET payments, School Aid Fund collections are up 2.1 percent from a year ago.

The FY 2004-2005 revenue projections presented in the revenue table on page 10 are from the Consensus Revenue Estimating Conference held on August 17, 2005. The Consensus estimate for net General Fund – General Purpose revenue for FY 2004-2005 is \$7,994.0 million and the net School Aid revenue forecast is \$10,840.3 million. The Transportation Funds revenue forecast is \$2,191.4 million. The revenue projections for each tax are shown after all tax adjustments. The next regularly scheduled revenue conference will be held in January 2006.

**October through August Collections
Fiscal Years 2003-04 and 2004-05**



August Revenue Collections Fiscal Years 2003-04 and 2004-05



October through August Collections Fiscal Years 2003-04 and 2004-05



Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2005

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH AUGUST CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
August		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005
2004	2005	Amount	Percent		2003-04	2004-05	Amount	Percent	Actual	Statutory Estimate (b)	August Consensus
Income Taxes											
\$528,746	\$528,720	(\$26)	0.0%	Withholding	\$5,875,765	\$5,905,940	\$30,175	0.5%	\$6,365,100	\$6,568,700	\$6,404,500
6,893	9,008	2,115	30.7%	Quarterlies	465,562	492,032	26,470	5.7%	601,800	626,600	637,200
12,538	14,498	1,960	15.6%	Annuals	485,340	627,749	142,410	29.3%	499,800	501,800	634,700
548,177	552,227	4,050	0.7%	Gross Collections	6,826,666	7,025,721	199,054	2.9%	\$7,466,700	\$7,697,100	\$7,676,400
37,172	29,234	(7,938)	-21.4%	Less: Refunds	1,513,216	1,629,111	115,895	7.7%	1,594,200	1,674,800	1,660,700
0	0	0	na	State Campaign Fund	0	0	0	na	1,400	1,500	1,500
511,005	522,993	11,987	2.3%	Net Personal Income	5,313,450	5,396,610	83,160	1.6%	\$5,871,100	\$6,020,800	\$6,014,200
137,044	138,057	1,012	0.7%	Less: Disbursements to SAF	1,706,667	1,756,430	49,764	2.9%	\$1,893,400	\$1,996,500	\$1,992,300
\$373,961	\$384,936	\$10,975	2.9%	NET PERSONAL INCOME TO GF-GP	\$3,606,784	\$3,640,180	\$33,396	0.9%	\$3,977,700	\$4,024,300	\$4,021,900
Consumption Taxes											
\$8,805	\$9,206	\$401	4.6%	Sales (a)	\$77,834	\$81,249	\$3,414	4.4%	\$102,200	\$119,800	\$107,600
80,646	88,289	7,643	9.5%	Use	798,593	839,823	41,230	5.2%	877,400	885,800	923,700
10,088	11,896	1,808	17.9%	Tobacco	246,802	111,709	(135,093)	-54.7%	242,700	119,000	117,500
4,862	4,776	(86)	-1.8%	Beer, Wine & Mixed Spirits	47,074	46,435	(639)	-1.4%	51,500	52,000	52,000
2,610	2,700	90	3.4%	Liquor Specific	27,446	27,903	457	1.7%	33,000	31,600	33,500
\$107,011	\$116,866	\$9,856	9.2%	TOTAL CONSUMPTION TAXES	\$1,197,750	\$1,107,119	(\$90,632)	-7.6%	\$1,306,800	\$1,208,200	\$1,234,200
Other Taxes											
\$155,458	\$190,063	\$34,605	22.3%	Single Business	\$1,704,919	\$1,810,897	\$105,978	6.2%	\$1,827,600	\$1,917,500	\$1,885,700
29,335	33,808	4,474	15.2%	Insurance Premiums Taxes	232,574	239,403	6,830	2.9%	230,300	261,000	236,300
184,793	223,872	39,079	21.1%	Sub-total SBT & Insurance	1,937,493	2,050,300	112,808	5.8%	2,057,900	2,178,500	2,122,000
5,569	1,915	(3,654)	-65.6%	Inheritance / Estate	77,780	29,611	(48,169)	-61.9%	75,500	34,000	30,000
1,659	457	(1,202)	-72.5%	Telephone & Telegraph	113,435	98,277	(15,158)	-13.4%	101,300	120,600	97,300
5,804	3,660	(2,144)	-36.9%	Oil & Gas Severance	43,715	58,496	14,781	33.8%	57,100	50,000	65,000
0	3,775	3,775	na	Casino Wagering	0	40,749	40,749	na	3,200	42,900	42,500
7,787	12,547	4,761	61.1%	Penalties & Interest	101,402	106,546	5,144	5.1%	104,400	110,000	108,500
321	374	53	16.4%	Miscellaneous Other/Railroad	1,074	1,178	104	9.6%	3,200	3,000	0
(7,083)	(6,667)	417	-5.9%	Treasury Enforcement Programs	(77,917)	(73,333)	4,583	-5.9%	(81,600)	(80,000)	(80,000)
\$198,849	\$239,933	\$41,085	20.7%	TOTAL OTHER TAXES	\$2,196,982	\$2,311,825	\$114,843	5.2%	\$2,321,000	\$2,459,000	\$2,385,300
\$679,821	\$741,736	\$61,915	9.1%	SUBTOTAL GF-GP TAXES	\$7,001,516	\$7,059,124	\$57,607	0.8%	\$7,605,500	\$7,691,400	\$7,641,400

continued

Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2005

MONTH-END CASH COLLECTIONS DATA					OCTOBER THROUGH AUGUST CASH COLLECTIONS DATA				REVENUE PROJECTIONS		
August		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005
2004	2005	Amount	Percent		2003-04	2004-05	Amount	Percent	Actual	Statutory Estimate (b)	August Consensus
Non-Tax Revenue(g)											
\$2,500	\$2,500	\$0	0.0%	Federal Aid	\$27,500	\$27,500	\$0	0.0%	\$66,100	\$30,000	\$35,000
83	83	0	0.0%	Local Agencies	917	917	0	0.0%	2,900	1,000	2,000
667	667	0	0.0%	Services	7,333	7,333	0	0.0%	17,800	8,000	18,000
1,500	1,500	0	0.0%	Licenses & Permits	16,500	16,500	0	0.0%	55,200	18,000	54,000
0	0	0	na	Investments/Interest Costs	(8,422)	(1,195)	7,228	-85.8%	(22,200)	(80,000)	(68,000)
5,000	5,167	167	3.3%	Misc. Non-tax Revenue	55,000	56,833	1,833	3.3%	76,100	62,000	113,200
10,000	10,083	83	0.8%	Liquor Purchase Revolving Fund	110,000	110,917	917	0.8%	139,400	121,000	136,000
3,233	3,233	0	0.0%	From Other Funds-Lottery & Escheats	35,567	35,567	0	0.0%	101,200	38,800	62,300
\$22,983	\$23,233	\$250	1.1%	TOTAL NON-TAX REVENUE	\$244,394	\$254,372	\$9,978	4.1%	\$436,500	\$198,800	\$352,500
\$702,804	\$764,969	\$62,165	8.8%	TOTAL GF-GP REVENUE	\$7,245,911	\$7,313,496	\$67,585	0.9%	\$8,042,000	\$7,890,200	\$7,994,000
School Aid Fund											
\$246,546	\$253,477	\$6,931	2.8%	Sales Tax 4%	\$2,403,575	\$2,463,627	\$60,052	2.5%	2,635,100	2,767,300	2,700,200
196,386	200,727	4,341	2.2%	Sales Tax 2%	1,899,436	1,937,814	38,378	2.0%	2,081,600	2,188,600	2,124,100
40,323	44,144	3,821	9.5%	Use Tax 2%	399,297	419,911	20,615	5.2%	439,100	442,800	461,900
123,642	121,495	(2,146)	-1.7%	State Education Property Tax	1,144,927	1,397,947	253,020	22.1%	1,824,500	1,859,700	1,854,000
26,229	27,982	1,752	6.7%	Real Estate Transfer Tax	286,190	286,533	343	0.1%	317,500	293,000	316,000
50,000	60,000	10,000	20.0%	Lottery Transfer (c)	555,048	549,883	(5,165)	-0.9%	644,900	637,000	641,000
8,512	8,737	225	2.6%	Casino Wagering Tax	81,172	94,306	13,134	16.2%	95,800	99,300	98,400
2,536	2,633	97	3.8%	Liquor Excise Tax	26,908	27,429	520	1.9%	32,400	31,600	33,500
39,666	47,584	7,918	20.0%	Cigarette/Tobacco Tax	436,852	446,835	9,984	2.3%	485,200	476,300	470,700
4,587	4,443	(144)	-3.1%	Indus. & Comm. Facilities Taxes	133,460	116,825	(16,635)	-12.5%	150,200	157,000	133,500
2,011	4,599	2,588	129.0%	Specific Other	12,042	10,459	(1,583)	-13.1%	15,800	14,800	14,800
137,044	138,057	1,012	0.7%	Income Tax Earmarking	1,706,667	1,756,430	49,764	2.9%	\$1,893,400	\$1,996,500	\$1,992,300
\$877,483	\$913,879	\$36,396	4.1%	TOTAL SCHOOL AID FUND	\$9,085,572	\$9,508,000	\$422,428	4.6%	\$10,615,600	\$10,963,900	\$10,840,300
\$607,296	\$623,189	\$15,893	2.6%	SALES TAX 6%	\$5,905,394	\$6,043,859	\$138,465	2.3%	\$6,473,500	\$6,800,700	\$6,624,500
410,910	422,462	11,552	2.8%	SALES TAX 4%(e)	4,005,958	4,106,045	100,087	2.5%	4,391,900	4,612,100	4,500,400
196,386	200,727	4,341	2.2%	SALES TAX 2%	1,899,436	1,937,814	38,378	2.0%	2,081,600	2,188,600	2,124,100
120,969	132,433	11,464	9.5%	USE TAX 6%	1,197,890	1,259,734	61,844	5.2%	1,316,500	1,328,600	1,385,600
8,512	12,512	4,000	47.0%	CASINO WAGERING TAX	81,172	135,055	53,884	66.4%	99,455	148,300	147,000
97,940	114,385	16,445	16.8%	TOBACCO TAXES	824,057	1,074,124	250,067	30.3%	992,800	1,177,800	1,164,200
0	(0)	(0)	na	TOBACCO SETTLEMENT	273,274	274,327	1,053	0.4%	na	na	na
20,494	(0)	(20,494)	na	CIGARETTE INVENTORY TAX	28,153	0	(28,153)	na	na	na	na

continued

Revenue Summary 2004-05
General Fund-General Purpose, School Aid, and Transportation Funds
(in thousands)

For The Month Ended: August 31, 2005

MONTH-END CASH COLLECTIONS DATA				OCTOBER THROUGH AUGUST CASH COLLECTIONS DATA					REVENUE PROJECTIONS		
August		Difference		SOURCE OF REVENUE	Year-to-Date		Difference		2003-2004	2004-2005	2004-2005
2004	2005	Amount	Percent		2003-04	2004-05	Amount	Percent	Actual	Statutory Estimate (b)	August Consensus
Major Transportation Revenues											
\$14,856	\$11,342	(\$3,515)	-23.7%	Diesel Fuel / Motor Carrier Fuel Tax (h)	\$135,373	\$133,012	(\$2,362)	-1.7%	\$140,492	\$162,600	\$145,000
83,171	83,372	200	0.2%	Gasoline	847,535	843,337	(4,198)	-0.5%	932,764	968,000	929,000
69,813	68,898	(914)	-1.3%	Motor Vehicle Registration	864,659	794,333	(70,326)	-8.1%	934,309	830,800	857,000
6,633	6,645	12	0.2%	Other Taxes, Fees & Misc.	66,736	63,294	(3,441)	-5.2%	197,237	219,736	203,889
5,810	5,821	11	0.2%	Comprehensive Transportation (d)	63,906	64,026	119	0.2%	70,117	69,846	56,546
\$180,283	\$176,077	(\$4,206)	-2.3%	TOTAL MAJOR TRANS. REVENUES	\$1,978,209	\$1,898,002	(\$80,207)	-4.1%	\$2,274,919	\$2,250,982	\$2,191,435
Lottery Sales By Games (c)											
62,245	60,059	(2,186)	-3.5%	Instant Games	630,312	605,928	(24,384)	-3.9%	na	na	na
69,791	64,266	(5,525)	-7.9%	Daily Games	672,214	654,906	(17,308)	-2.6%	na	na	na
21,110	24,729	3,619	17.1%	Lotto and Big Game	283,111	271,421	(11,689)	-4.1%	na	na	na
1,388	1,320	(67)	-4.8%	Keno Game	13,706	12,325	(1,381)	-10.1%	na	na	na
0	0	0	na	Changeplay Game	88	0	(88)	-100.0%	na	na	na
27,348	34,809	7,461	27.3%	Club Games	204,628	337,745	133,117	65.1%	na	na	na
\$181,881	\$185,183	\$3,302	1.8%	TOTAL LOTTERY SALES	\$1,804,059	\$1,882,326	\$78,267	4.3%	na	na	na

a GF-GP Sales has been estimated based on CTF and Health Initiative shares.

b Statutory and Consensus Estimates have been adjusted to include the Tobacco tax increase (PA 164 of 2004) and Casino Tax Increase (PA 306 of 2004).

c The statutory estimate does not include an estimate of lottery sales. It only includes an estimate of the SAF transfer. The transfers shown are actual transfers from Lottery to SAF.

d The CTF distributions have been estimated (includes sales tax transfer and other miscellaneous revenues dedicated to the CTF).

e 2% collections adjusted to reflect exemption on residential utilities.

f Official CAFR figures are adjusted to put them on a comparable basis with Consensus Estimates.

g Non-tax revenue estimates other than interest are estimates. Federal aid total does not include the \$169 million in federal aid from federal stimulus bill in FY 2004.

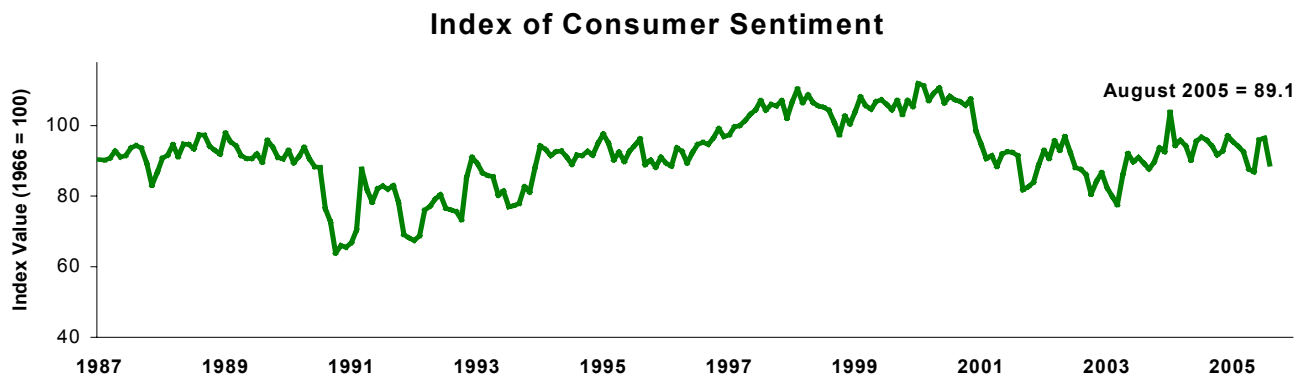
h Starting in January 2005 totals include revenue from the Motor Carrier Fuel Tax. Prior year totals have been adjusted to also include the Motor Carrier Fuel Tax.

Source: Michigan Department of Treasury, Economic and Revenue Forecasting Division, based on reports from the Office of Financial Management, Michigan Department of Management and Budget, and other reports from the Michigan Department of Treasury.

Economic Highlights

(All data seasonally adjusted unless otherwise noted.)

U. S. Economy



Source: University of Michigan, Survey Research Center

The **Index of Consumer Sentiment** was 89.1 in August, 7.4 index-points below the July value and 6.8 index-points below August 2004. Survey director Richard Curtin reported, "The August loss was widespread with declines recorded among all demographic subgroups and across all regions of the country. Importantly, the August decline was recorded prior to the surge in gas prices associated with Hurricane Katrina." On the large drop in the survey, Curtin noted that, "A larger monthly decline was recorded in only ten prior surveys since 1978, with nearly all of those prior declines associated with a recession. Although the August data did not indicate that a recession is on the horizon, consumers were more likely to expect a downturn sometime during the next five years." Curtin observed, "Slower economic growth, however, is widely anticipated by consumers, as well as higher inflation, higher interest rates and higher unemployment during the year ahead." In August, consumers in all four regions reported a decrease in confidence. Northeastern consumers reported the largest decrease in confidence of 9.2 index-points, followed by Southern consumers (8.3 index-points) and Western consumers (7.6 index-points). Midwestern consumers reported the smallest decrease of 4.5 index-points. The gap across regions decreased from last month to 3.4 index-points, with Western consumers on top and Northeastern consumers on the bottom.

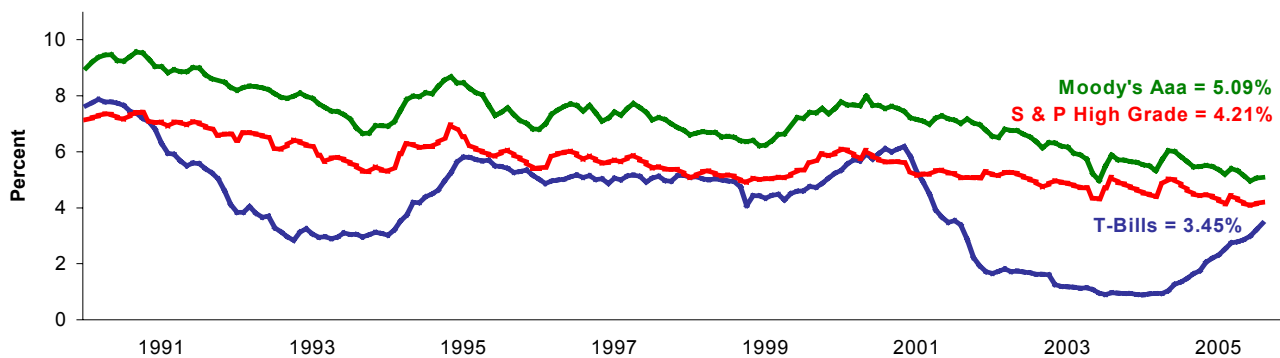
The preliminary estimate of real **Gross Domestic Product** for the second quarter of 2005 is \$11,088.6 billion (chained 2000 dollars), an increase of 3.3 percent at an annual rate. In the first quarter of 2005, real gross domestic product increased 3.8 percent. Personal consumption expenditures, exports, equipment and software, residential fixed investment and government spending led second quarter growth. Imports, which are a subtraction in the calculation of GDP, increased. Real personal consumption expenditures increased 3.0 percent in the second quarter compared to an increase of 3.5 percent in the first quarter. Real residential fixed investment increased 9.8 percent in the second quarter compared to an increase of 9.5 percent in the first quarter. Real nonresidential fixed investment increased 8.4 percent in the second quarter led by increased investment in equipment and software of 10.4 percent. Real federal government expenditures increased 1.6 percent in the second quarter compared to a 2.4 percent increase in the first quarter. Real state and local government spending increased 3.3 percent in the second quarter compared to a 1.6 percent increase the first quarter. Exports of goods and services increased 13.2 percent in the second quarter, compared to a 7.5 percent increase in the first quarter. Imports increased 0.5 percent in the second quarter compared to an

increase of 7.4 percent in the first quarter. Private inventory investment rose \$2.6 billion in the second quarter, down from a \$58.2 billion increase in the first quarter. Real final sales increased at a 5.4 percent rate in the second quarter compared to a 3.5 percent rate in the first quarter. On the inflation front, the **implicit price deflator** measure estimate increased at a 2.5 percent annual rate in the second quarter, compared to an increase of 3.0 percent observed in the first quarter.

U. S. retail prices, as measured by the Consumer Price Index (CPI-U), increased 0.5 percent in August, the same increase as in July. Energy increased by 5.0 percent in August; compared to a 3.8 percent increase in July, while the all-items less food and energy component increased 0.1 percent. Over 90 percent of the August data was collected before Hurricane Katrina struck the Gulf Coast. For the six months since February, the all-items index increased at a 4.3 percent annual rate.

Compared to August 2004, the all-items index increased 3.6 percent. For major component groups, the unadjusted increases from one year ago were: food and beverages, 2.1 percent; housing, 3.0 percent; medical care, 3.9 percent; recreation, 0.4 percent; education and communication, 1.8 percent; and other goods and services, 2.9 percent, with tobacco prices up 5.2 percent; transportation 9.1 percent, with gasoline prices up 31.3 percent. The unadjusted decreases from one year ago were: apparel, 0.6 percent.

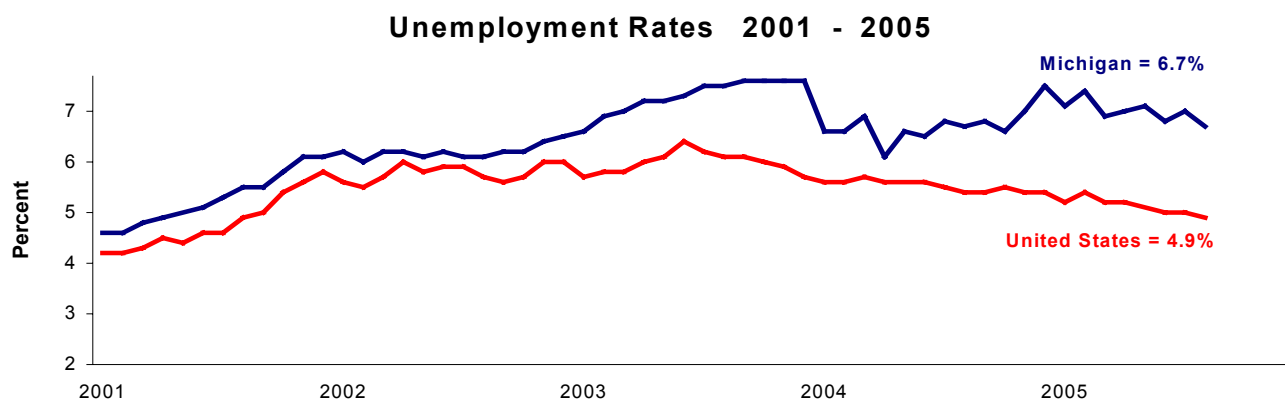
Selected Key Interest Rates



Source: Economic Indicators

Short-term **interest rates** increased 0.23 percentage points in August as the 3-month Treasury bill (T-bill) rate averaged 3.45 percent. Compared to one year ago, the T-bill rate is up 1.97 percentage points. Long-term interest rates, such as the Aaa corporate bond rate, increased 0.03 percentage points to an interest yield of 5.09 percent in August. Compared to one year ago, the Aaa bond yield is down 0.56 percentage points. The interest rate on High-grade municipal bonds increased 0.06 percentage points to 4.21 percent in August, and stands 0.44 percentage points below its year ago level. The Federal Open Market Committee (FOMC) raised the federal funds rate by 25 basis points at its September 20th meeting to 3.75 percent. The FOMC stated that while Hurricane Katrina and its aftermath has increased uncertainty about near-term economic performance, it is their view that it does not pose a persistent threat to economic activity. The FOMC continues to believe that, “monetary policy accommodation, coupled with robust underlying growth in productivity, is providing ongoing support to economic activity. Core inflation has been relatively low in recent months and longer-term inflation expectations remain well contained.” The FOMC perceives that, with appropriate monetary policy action, the upside and downside risks to the attainment of both sustainable growth and price stability should be kept roughly equal. The committee believes that, “policy accommodation can be removed at a pace that is likely to be measured.”

In August, the **U. S. unemployment rate** decreased 0.1 percentage points from a month ago to 4.9 percent and was down 0.5 percentage points from one year ago. Civilian employment totaled 142.4 million persons in August, up 0.4 million from July. The number of unemployed was 7.4 million nationwide.



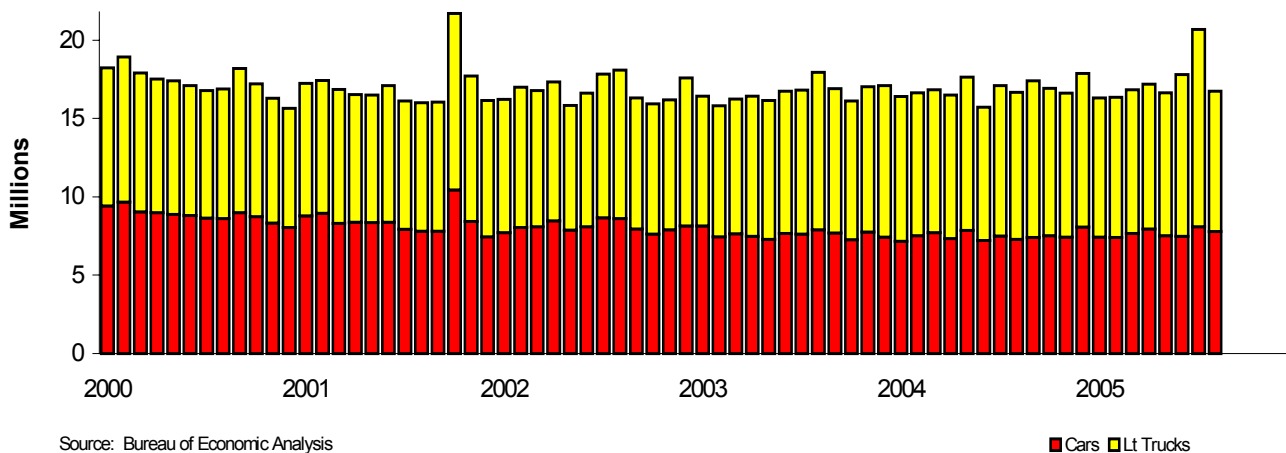
Source: Bureau of Labor Statistics and Michigan Department of Labor & Economic Growth, Employment Service Agency

In August, the **Michigan jobless rate** decreased 0.3 percentage points to 6.7 percent. Compared to a year ago, Michigan's jobless rate was 0.4 percentage points lower. From a month ago, the labor force increased by 5,000 to 5,105,000, while the number of people employed increased by 18,000 to 4,761,000. In August, there were 344,000 unemployed people. Monthly unemployment rates fluctuate due to statistical sampling errors. Therefore, the three-month average of 6.8 percent may be a better measure of actual conditions.

Detroit retail prices, as measured by the Consumer Price Index (CPI-U), increased 1.4 percent from June to August, compared to a 0.1 percent decrease from April to June. The all-items less food and energy index increased 0.7 percent from June to August. The food index remained unchanged from June to August while the energy index increased 8.5 percent. Compared to August 2004, the all-items index increased 2.9 percent. For individual component items, the increases from one year ago were: food and beverages, 1.4 percent; housing, 1.9 percent; transportation, 10.1 percent; medical care, 2.1 percent; education and communication 0.4 percent; other goods and services, 3.2 percent; the unadjusted decreases were: apparel, 5.3 percent.

Motor Vehicle Sector

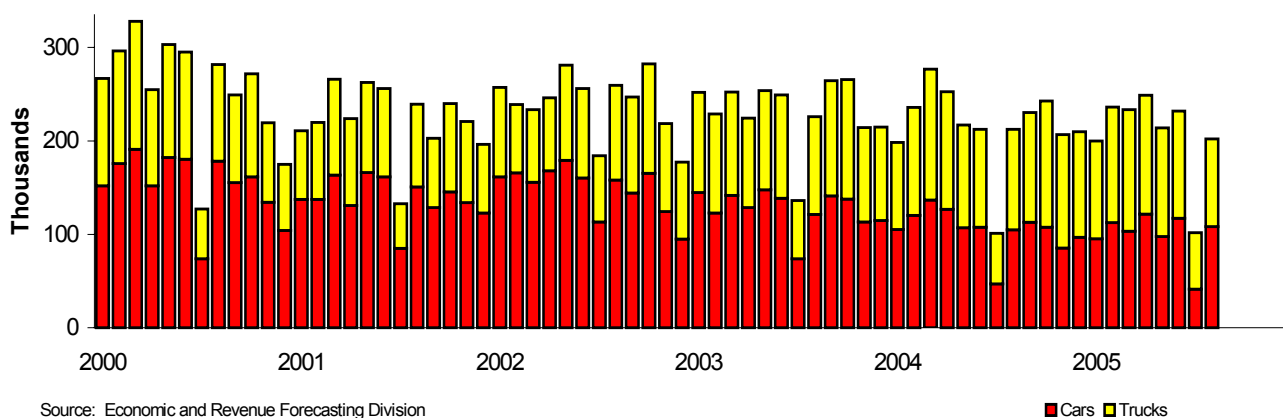
U. S. Light Vehicle Sales



U. S. light vehicle sales (cars + light trucks) decreased 3.9 million units in August selling at a 16.8 million unit seasonally adjusted annual rate. Sales declined from the historically high level last month as inventories declined for companies with employee pricing discounts. Domestic car sales decreased 2.4 percent while domestic light truck sales decreased 31.0 percent. Import car sales decreased 7.2 percent while import light truck sales decreased 9.5 percent. Compared to last year, light vehicle sales increased 0.4 percent. Domestic car sales were up 7.0 percent while domestic light truck sales decreased 5.1 percent. Import car sales were up 6.8 percent while import truck sales fell 0.2 percent from last year. As a result, the domestic share decreased 0.7 percentage points from a year ago. For fiscal year 2005 year-to-date, domestic light vehicles have recorded a 79.8 percent share of a 17.3 million-unit market.

Michigan motor vehicle production increased to 202,239 units in August. From a year ago, motor vehicle production decreased 5 percent in Michigan but rose 7 percent nationally. In August, Michigan's car production was 108,171 units while the state's truck production was 94,068 units. Compared with a year ago, car production rose 3 percent in Michigan and increased 5 percent nationwide. The state's truck production decreased 13 percent while national truck production rose 7 percent from a year ago. Michigan motor vehicle production data are not seasonally adjusted.

Michigan Motor Vehicle Production



**Summary Estimates of the Constitutional Revenue Limit
Based on the August 17, 2005 Consensus Revenue Agreement
(Article IX, Section 26)
(in millions)**

	Fiscal Year 2002-2003 Actual	Fiscal Year 2003-2004 Actual	Fiscal Year 2004-2005 Estimate
Applicable Calendar Year Personal Income	\$297,609	\$303,745	\$314,460
Section 26 Base Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$28,243.1	\$28,825.4	\$29,842.3
Revenue Limit	\$28,243.1	\$28,825.4	\$29,842.3
State Revenue Subject to Limit	\$24,061.6	\$24,384.7	\$24,652.6
Amount Under (Over) Limit	\$4,181.5	\$4,440.7	\$5,189.6

Sources:

Personal Income Estimate

The FY 2002-03 calculation uses the official personal income estimate for calendar year 2001 (Survey of Current Business, October 2002).

The FY 2003-04 calculation uses the official personal income estimate for calendar year 2002 (Survey of Current Business, August 2003).

The FY 2004-05 calculation uses the official personal income estimate for calendar year 2003 (Survey of Current Business, September 2004).

Revenue Subject to the Limit

The FY 2002-03 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2003.

The FY 2003-04 calculation uses the State of Michigan Statement of Revenue Subject to Constitutional Limitation - Legal Basis for the Fiscal Year Ended September 30, 2004.

The FY 2004-05 calculation uses the August 17, 2005 Consensus Revenue Agreement.

Prepared By: Economic and Revenue Forecasting Division, Michigan Department of Treasury